

**Senate Bill 5  
& House Bill 153**



**Health Care Reform  
Update**

**Legislative Effects on the Wood County  
Employee Health Benefits Plan**

# State: Collective Bargaining Bill – SB5

- Bill signed into law on 3/31/11 effective 7/1/11
  - Limits public employer contributions toward health care benefit costs to 85% - *ORC 124.81(I)*
  - Requires equal benefits for management and employees of the same public employer - *ORC 124.81(H)*
  - Requires health care benefits provided through a jointly administered trust fund to be the same as the health care benefits provided to other public employees – *ORC 124.81(G)*
  - *Do sections of ORC apply county government ?*
    - *Discussions to expand to county section are underway*

State of Ohio  
Definition: Health  
Care Benefits

Hospitalization, surgical, major medical, dental, vision, and medical care, disability, hearing aids, prescription drugs, or a combination of these benefits *ORC 124.81(J)*

# State: Collective Bargaining Bill – SB5

- Implementation of Law
  - Removes Health Care from collective bargaining
    - Does not prohibit advisory committees
  - Effective upon renewal of contract following effective date of law
    - First contract open on 1/1/12
  - Elected Officials may not be subject to changes in compensation during term of office

# State: Collective Bargaining Bill – SB5

- State Referendum suspends effective date
  - 231,000 valid signatures needed to place a referendum on 11/8/11 ballot
  - State sets signature threshold - % of voters per county in last general election
  - Signatures submitted on 7/1/11 due date to County Board of Elections
  - Bd of Elections verified/submitted to Attorney General on 7/18/11 (10,778 in WC)
  - State petitions are permitted multiple opportunities to submit additional signatures
  - Structure of Referendum is unclear
- Immediately effective following 11/8/11 election
  - Ohio Secretary of State certifies final vote by mid-December
  - Look for legal challenges

State  
Constitutional  
Amendment  
Pending

- No law shall compel any person, employer or health care provider to participate in a health care system
- No law shall prohibit the purchase or sale of health care or health insurance
- No law shall impose a penalty or fine for health care or health insurance

# State: Budget Bill – HB 153

- Bill signed into law on 6/30/11 for FY 2012 and FY 2013 effective 7/1/11
  - State Health Care Pool is voluntary
    - Best Practices must be met
  - Requires Department of Administrative Services (DAS) to perform a feasibility study of the state to provide health care plan for political subdivisions
    - DAS report due: 7/1/12
  - Creation of state health care program requires legislative action
  - Provides BCC authority to centralize county services

In 2014, Federal Health Care Reform requires employees working 30 hours per week to be offered insurance as they are considered full-time

# Federal: Patient Protection and Affordable Care Act (PPACA)

- Various Implementation Dates
  - Initial Effective Date: 1/1/11 (Plan year on or after 9/23/10)
  - Annual requirements through 2018
- Collective Bargaining: Bill supersedes negotiations
- Wood County currently holds Grandfathered Status
  - Shelters plan from several mandated changes until 2014
  - Consideration of federal restrictions for future plan design changes

Federal definition:  
Health Care Benefits

Applies to health and prescription only  
(Not vision and dental)

# “Grandfathered” Status

Group health plans that were in force on March 23, 2010, have “grandfathered” status.

## Permissible Changes: No loss in “Grandfathered” status

- Increased premium
- Changes required to comply with federal or state law
- Changes to voluntarily comply with provisions of PPACA or to increase benefits
- Changes to a third party administrator
- Adding, changing or deleting enrollees
- Voluntarily adding benefits

## Impermissible Changes: Will cause loss in “Grandfathered” status

- Terminate entire current benefit package
- Elimination of benefits in current plan
- Decrease % in employer funding of rates\*
- Increase in deductible\*
- Increase in coinsurance
- Increase in out-of-pocket maximum\*
- Increase in co-payment (service fees)\*
- Changes in annual limits\*

\* Allowable if following federal formula for calculations.

Consider restrictions when creating plan design changes through 2014

# PPACA Timeline

Year	Action	Applies to Grandfathered Status
2010	<ul style="list-style-type: none"> <li>Change in federal tax definition of dependent to the end of the calendar year in which dependent turns 26</li> </ul>	Yes
	<ul style="list-style-type: none"> <li>Break time/private room for nursing moms</li> </ul>	Yes
2011	<ul style="list-style-type: none"> <li>Dependent coverage to 26 using new definition for eligibility</li> </ul>	Yes
	<ul style="list-style-type: none"> <li>No lifetime dollar limits on essential health benefits</li> </ul>	Yes
	<ul style="list-style-type: none"> <li>Restricted annual dollar limits on essential health benefits (\$750,00, 1.25M in 2012, and 2M in 2013)</li> </ul>	Yes
	<ul style="list-style-type: none"> <li>No pre-existing condition limitations for children up to age 19</li> </ul>	Yes
	<ul style="list-style-type: none"> <li>No rescissions – 30 day notice required</li> </ul>	Yes
	<ul style="list-style-type: none"> <li>Voluntary long-term care “CLASS”</li> </ul>	Yes
	<ul style="list-style-type: none"> <li>Disclosure of plan data</li> </ul>	No
	<ul style="list-style-type: none"> <li>Appeals process notice</li> </ul>	No
	<ul style="list-style-type: none"> <li>Flexibility in provider choice and emergency room</li> </ul>	No
	<ul style="list-style-type: none"> <li>No charge for certain preventative and wellness services</li> </ul>	No
<ul style="list-style-type: none"> <li>Minimum medical loss rule (not for self insured plans)</li> </ul>	Yes	
<ul style="list-style-type: none"> <li>Mental Health Parity (non PPACA)</li> </ul>	Yes	



# PPACA Timeline

Year	Action	Applies to Grandfathered Status
2012	<ul style="list-style-type: none"> <li>Employers must distribute uniform benefits summaries to participants</li> <li>Employers must provide 60-day advance notice of material modifications (notice TBD)</li> </ul>	Yes <b>Yes</b>
2013	<ul style="list-style-type: none"> <li>Form W-2 reporting for 2012 health coverage (changed from 2011)</li> <li>Research fees begin</li> <li>Notice of availability of Health Insurance Exchange (ext. to 2014)</li> </ul>	Yes Yes Yes
2014	<ul style="list-style-type: none"> <li>Health insurance exchanges</li> <li><b>Free-choice vouchers (Employer penalties – 30 hour rule)</b></li> <li>Additional reporting and disclosure</li> <li>Dependent coverage to age 26 for any covered employee's child</li> <li><b>No annual dollar limits on essential benefits</b></li> <li>No pre-existing condition limits</li> <li>No waiting period over 90 days</li> <li>HIPPA wellness limit increases</li> <li>Annual cost sharing and deductible limits</li> </ul>	Yes Yes No Yes Yes Yes Yes No Yes
2018	<ul style="list-style-type: none"> <li>High Cost Coverage Reporting</li> </ul>	
TBD	<ul style="list-style-type: none"> <li>Auto – Enrollment Notice: Identify minimum coverage (Single Health/Prescription if no election to opt out)</li> </ul>	

## Essential Health Benefits (EHB)

- PPACA provides that Health and Human Services (HHS) will define what constitutes Essential Health Benefits
- PPACA does not require plans to add additional benefits; however, it requires compliance if currently in plan
- Good faith interpretation is acceptable until further guidance is provided

### Essential Health Benefits Include:

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services; including behavioral health treatment
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventative and wellness services and chronic disease management
- Pediatric services, including oral and vision care

# Preventative & Wellness Services and Chronic Disease Management Benefits - EHB

Effective 2014 following services are covered at 100% first dollar

- In-Network
- No deductible
- No co-insurance
- No co-payments (prof. svc fee)

Grade A and B recommendations of the US Preventative Services Task Force

Specific criteria based on age, sex, condition and other factors  
pregnant/non-pregnant apply to each

## Immunizations:

Haemophilus influenzae type b ●  
Hepatitis A ● Hepatitis B ● Herpes  
Zoster ● Human Papillomavirus ●  
Inactivated Poliovirus ● Influenza ●  
Measles, Mumps, Rubella (MMR) ●  
Meningococcal ● Pneumococcal ●  
Rotavirus ● Tetanus, Diphtheria,  
Pertussis (DPT) ● Varicella

# Preventative & Wellness Services and Chronic Disease Management Benefits - EHB

## Counseling:

Reduce alcohol misuse • BRCA screening • Healthy Diet • Obesity • STIs • Tobacco Use

## Other:

Aspirin to prevent CVD: men and women • Chemoprevention of breast cancer • Interventions to support breast feeding • Chemoprevention of dental caries • Medical History & Oral Health: Children • Supplementation with folic acid • Prophylactic Med for gonorrhea newborns • Iron supplements: children

## Screenings:

Abdominal aortic aneurysm • Alcohol misuse • Autism • Bacteriuria • High Blood Pressure • Breast Cancer (Mam) • Childhood Development • Cervical Cancer/Dysplasia • Chlamydial infections in women • Cholesterol abnormalities • Colorectal cancer age 50 – 75 • Depression • Diabetes • Dyslipidemia • Gonorrhea women/newborns • Hearing loss newborns • Hematocrit or Hemoglobin • Hemoglobinopathies • Hepatitis B • HIV • Congenital hypothyroidism • Iron deficiency anemia • Lead • Obesity • Osteoporosis • PKU newborns • Rh incompatibility: 1<sup>st</sup> preg visit, 24 -28 wk gestation • Syphilis pregnant/non-pregnant • Visual acuity

## Wood County Employee Health Benefits Current Plan Design

### Covered Service -

- Mammogram: One per Calendar Year at any age

### Financial Contribution -

- In Network: \$10 Co-Payment, \$150 Deductible, Co-insurance 80% Plan and 20% Participant to \$250 max
- Out of Network: \$10 Co-Payment, \$300 Deductible, Co-insurance 60% Plan and 40% Participant to \$500 max

## PPACA effects on Schedule of Benefits

### Changes effective 2014:

#### Covered Service -

- Mammogram: Women with or without clinical breast examination every 1-2 years for women aged 40 and older

#### Financial Contribution -

- First dollar In-Network (No Co-Payment, Deductible, or Co-Insurance)

## Tax Implications for Employees

- Delayed reporting requirement from 2011 to 2012
- Employer is required to report value of health care on W-2 for 2012 calendar year provided in 2013
- Amount includes the employer and employee portion of health care – health and prescription only
- Section 125 Premium Only Plan (POP)
  - Spousal Premium - currently pre-tax deduction
  - Adult Child Premium (age 26 & 27) – currently post tax

## PPACA & State effects on Plan Funding

### Increased Plan Costs for Employees

- Federal: Increased Values reported on W-2 for health and prescription due to first dollar coverage
- State: Shift of premium from 10% to 15% on health, prescription, vision and dental, in addition to an increased value for plan expenses due to first dollar coverage for health and prescription

# Plan Expenditures

Plan Year	Plan Expenses for Medical & Prescription Coverage
2007	\$5,391,885
2008	\$6,373,807
2009	\$5,703,238
2010	\$6,859,551
2011 *	\$3,255,708

\* Partial Year Expenses  
1/1/11 to 6/26/11

Projected Medical Trend: 8.4% - 9%  
medical and prescription combine

## 2010 Funding Rates

Type	Contract Level	Total Rate	Employer Funding	Employee Funding	Trust Funding
Health *	Single	\$364.69	\$264.05	\$29.34	\$71.30
	Family	\$915.62	\$663.21	\$73.70	\$178.71
Prescription *	Single	\$96.78	\$85.44	\$9.50	\$1.84
	Family	\$164.46	\$143.90	\$16.00	\$4.56
Vision	Single	\$7.50	\$6.42	\$.72	\$.36
	Family	\$17.85	\$15.30	\$1.70	\$.85
Dental	Single	\$27.87	\$23.88	\$2.66	\$1.33
	Family	\$84.68	\$72.59	\$8.06	\$4.03
Life	All	\$6.52	\$6.52		
Total	Single	\$503.36	\$386.31	\$42.22	\$74.83
	Family	\$1,189.13	\$901.52	\$99.46	\$188.15

\* Loss of Grandfathered Status: Decrease in Employer/Employee Rates

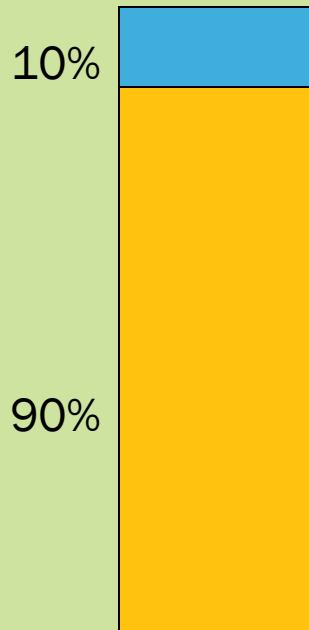
\* Employer or employee contributions toward the cost of any tier of coverage for any class of similarly situated individuals are decreased by more than 5% below the contribution rate (the % of employer contributions towards the total cost of coverage) for the coverage period that includes March 23, 2010.

Current Premium: 90% Employer – 10% Employee

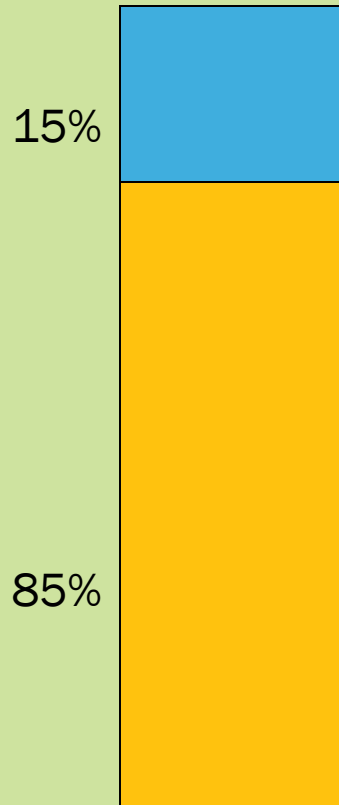


# Plan Utilization

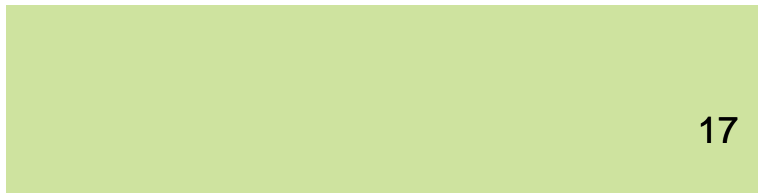
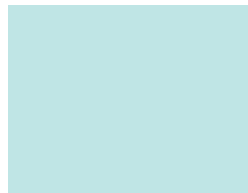
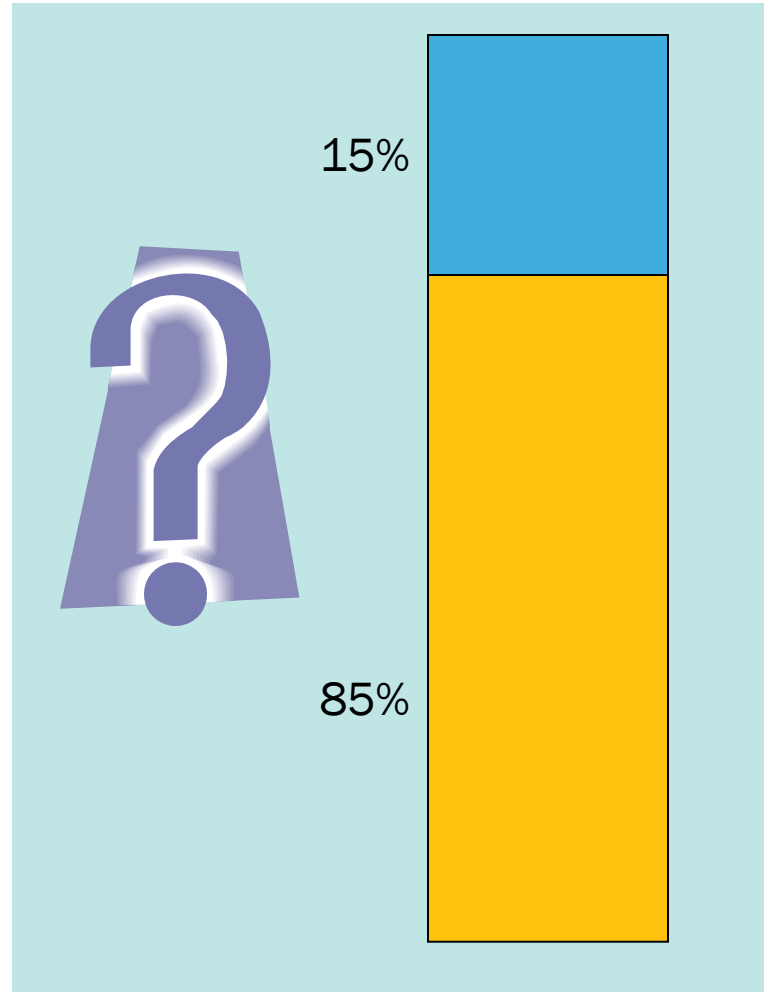
Current Plan Design  
2010 Actual Costs  
\$6.86M  
(2011 Projected +9%)



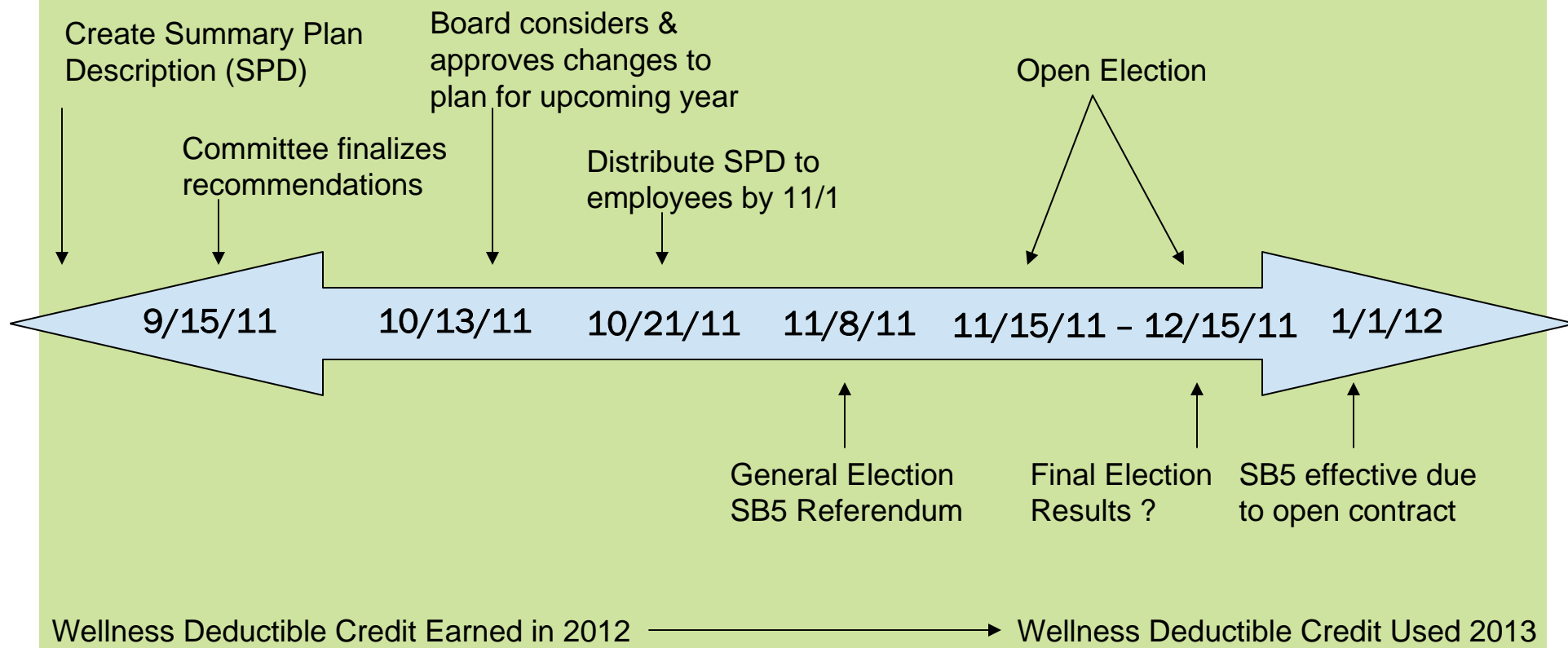
2012 Under SB5  
Est. \$7.1M



Loss of Grandfathered Status +  
Changes in Schedule of Benefits =  
Unknown Cost for 2014



# Projected Year End Timeline for 2012 Plan Year



Effective 2012 employers must provide 60-day notice of material modification

Our Plan Year begins January 1, therefore employee notification is required by November 1 which falls before the November 8 election

## 2012 Legislative Effects on Plan

- SB5 may limit employer contributions toward health care benefit costs to 85%; increase employee to 15%
- SB5 requires mandatory implementation for open contracts following effective date
  - Sheriff's contract opens 1/1/12
- Election held on 11/8
- Information must be communicated by 11/1 prior to Plan Year date of 1/1/12 (60 days advance notice)
- Consideration of rates will be discussed with Trustees of the Plan to determine funding for 2012

### Stay Tuned:

- Implementation of current federal/state legislative requirements
- Additional legislative changes/challenges